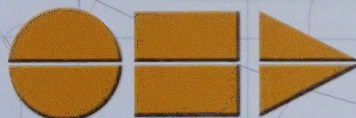


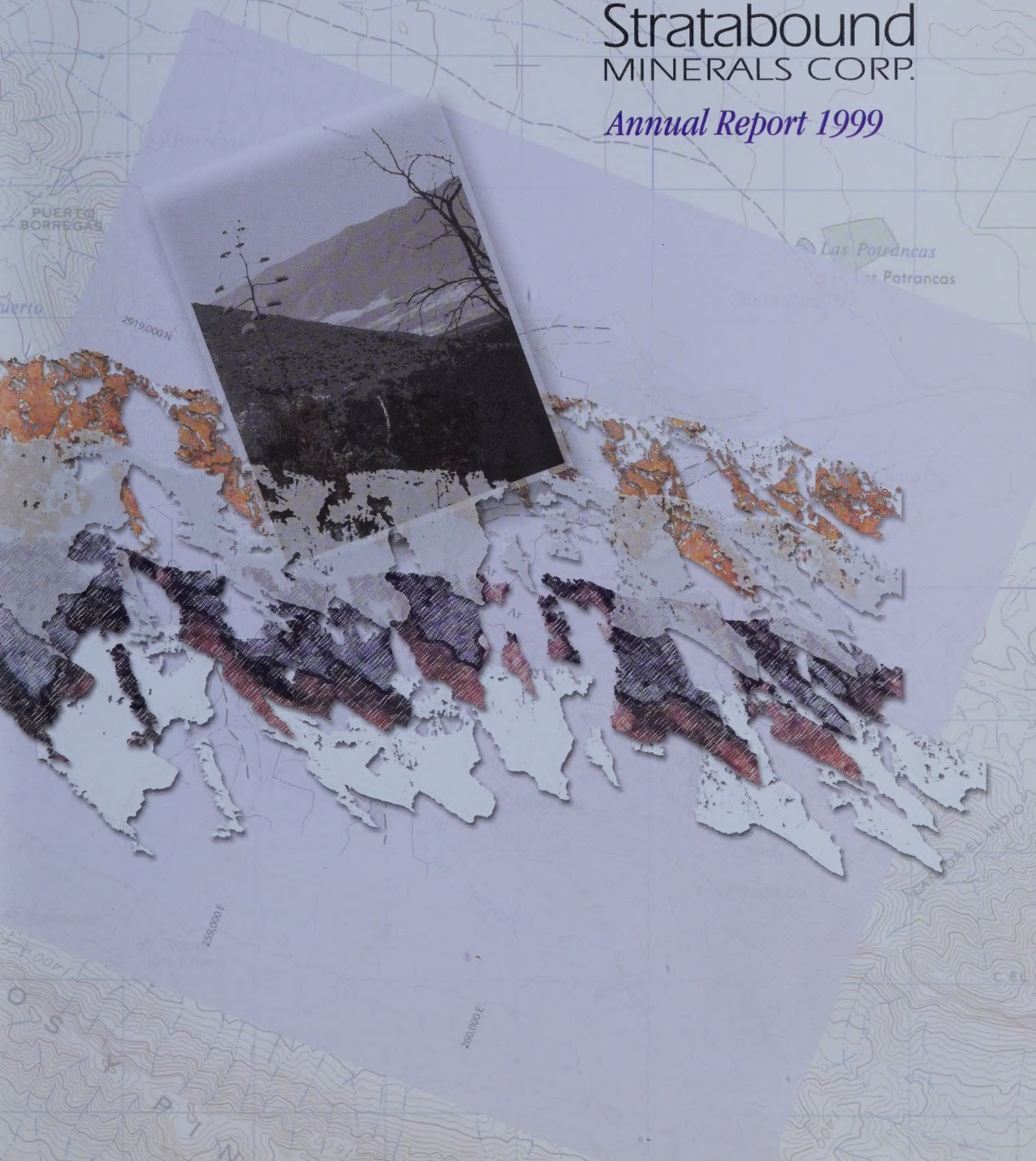
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Stratabound
MINERALS CORP.

Annual Report 1999





Stratabound MINERALS CORP.


Annual Report 1999

Corporate Profile

Stratabound Minerals Corp. is a Canadian natural resource company exploring extensive base metal and silver holdings in northeast Mexico through a wholly owned subsidiary, Cia. Minera Stratamex, S.A. de C.V.

The company's Mexican concessions and Canadian properties offer superior potential for world-class polymetallic mineral deposits.

Stratabound has a proven record of mineral discovery and development. Incorporated in 1986, it has traded on the Alberta Stock Exchange since 1987 and on the Canadian Venture Exchange since November 29, 1999, where it has been designated a Tier I company. Outstanding share capital at December 31, 1999 was 8,360,013 shares.



About the cover... a collage of images collected from topographic and geological maps, from photographs of Stratabound mining areas, and from scans of site-specific rock samples.

Report to Shareholders

Despite continuing negative market and financing conditions for junior mining companies in 1999, Stratabound completed an exploration program on the Don Indio copper-silver-zinc-lead property in northeast Mexico with excellent results, and expanded its land position by optioning the key La Monarca zinc-lead-silver property.

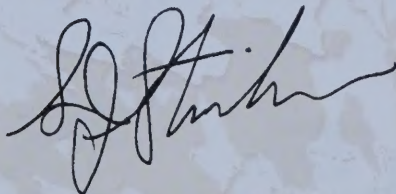
Market sentiment began improving early in 2000, allowing completion of a \$500,000 private placement financing in March that enabled exploration to begin on La Monarca. The exceptional results of this program indicate great potential in the Muralla Valley area for significant tonnages of ore grade stratiform zinc-lead-silver oxide mineralization.

Highlights of the Monarca results include a 4.12 metre thickness of mineralization grading 29.32 % zinc and 0.71 % lead at Socavon Americana; 8.27 metres grading 8.99 % zinc, 2.14 % lead and 0.47 % copper at San Juan de Arriba; 9.25 metres grading 5.56 % zinc, 1.09 % lead and 36.91 g/t silver at Morelos; and 3.20 metres of 14.65 % zinc and 1.55 % lead at La Favorita.

We were recently pleased to announce that we had accepted a proposal from Phelps Dodge Exploraciones S.A. de C.V to explore the Monarca property. Phelps Dodge can earn a 60 % interest in La Monarca over a three and a half year period by spending US\$923,000 on exploration, making a total of US\$650,000 in option payments on Stratabound's behalf and paying required land taxes. Stratabound would continue to be carried for 40 % until the completion of a feasibility study, and would thereafter participate for 40 %.

In New Brunswick the company has optioned 394 claims in the Bathurst Mining District to Eastmain Resources Inc. Eastmain is required to incur \$1,500,000 in exploration expenditures over five years to earn a 50 % interest, and can earn another 10 % by spending an additional \$1,000,000. Eastmain has recently identified a number of interesting new target areas on our ground.

We look forward to continued exploration success in Mexico and New Brunswick, and hopefully a market that will once again be receptive to achievement in our sector.



S. J. Stricker, P.Geol.
President

*Calgary, Alberta
August 14, 2000*

Report on Operations

NORTHEAST MEXICO

Coahuila State (44,261 hectares)

The Sierra Azul, Don Indio and Monarca properties are easily accessible by paved highway and gravel road from Monclova, a regional centre of 100,000 people hosting a large iron smelting and steel production complex (Figure 1). The area is well serviced by railroads, electricity and water. Monterrey, Mexico's second largest city, is a two hour drive south on Highway 57, while Laredo, Texas is a two hour drive to the north.

Abundant ore grade mineralization is present within Lower Cretaceous strata on all three of Stratabound's Mexican properties. A red bed sandstone sequence contains extensive copper-silver mineralization on Don Indio. The red beds

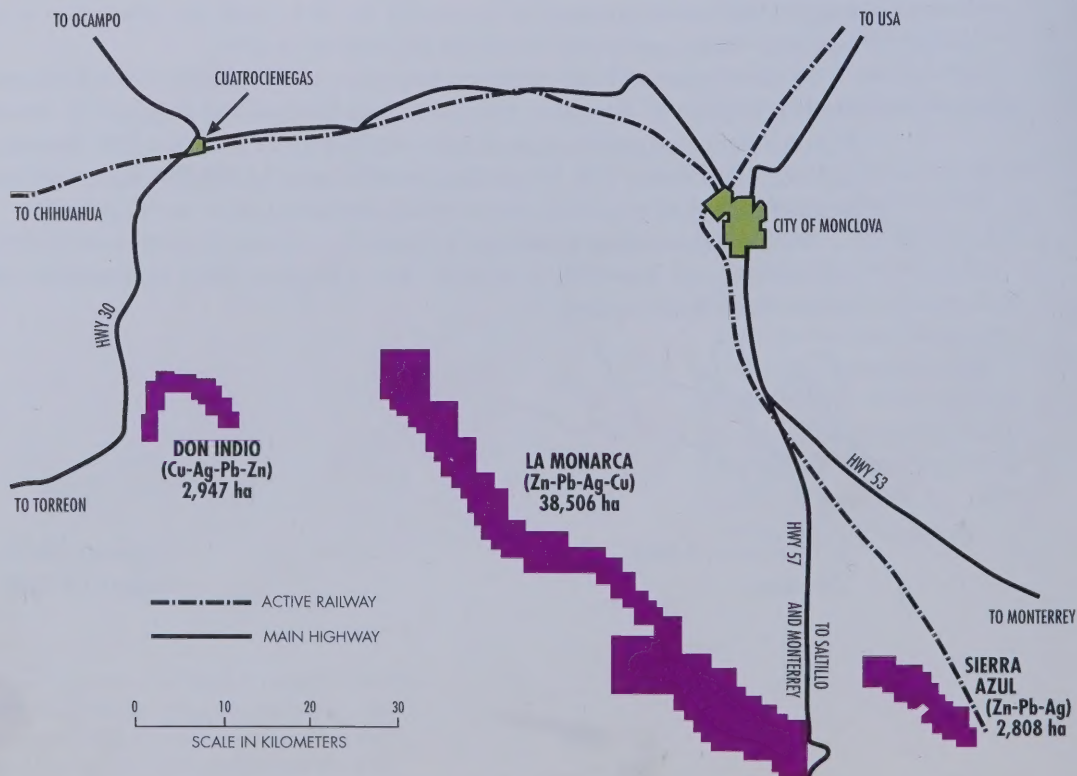
are overlain by dolomitized limestone that is heavily mineralized with zinc-lead-silver oxides on all three properties, most notably on Sierra Azul and La Monarca. High grade zinc-lead-silver sulphides have also been found on Sierra Azul. Most of the mineralization found to date on all properties is open along strike and down dip.

La Monarca Property

(38,506 hectares)

La Monarca encloses a 70 kilometre strike length of a sandstone/limestone sequence containing at least 85 old zinc-lead-silver workings. La Reforma Mine, located a few kilometres inside La Monarca's northern boundary, was one of the larger base metal operations in northeast Mexico.

Figure 1: Mexican Properties (State of Coahuila) Location Map



Our initial exploration targeted the Muralla Valley, a 30 kilometre long breached anticlinal structure within the southern portion of La Monarca, containing many of the old workings. To our knowledge the area has never been drilled.

Seven small, widely spaced areas were selected for a program of geological mapping and sampling (Figure 2), and resulted in a number of mineral discoveries, all occurring as oxide zones (Table I).

These mineralized zones occur mainly

Table I: La Monarca - Channel Sampling - Assay Results

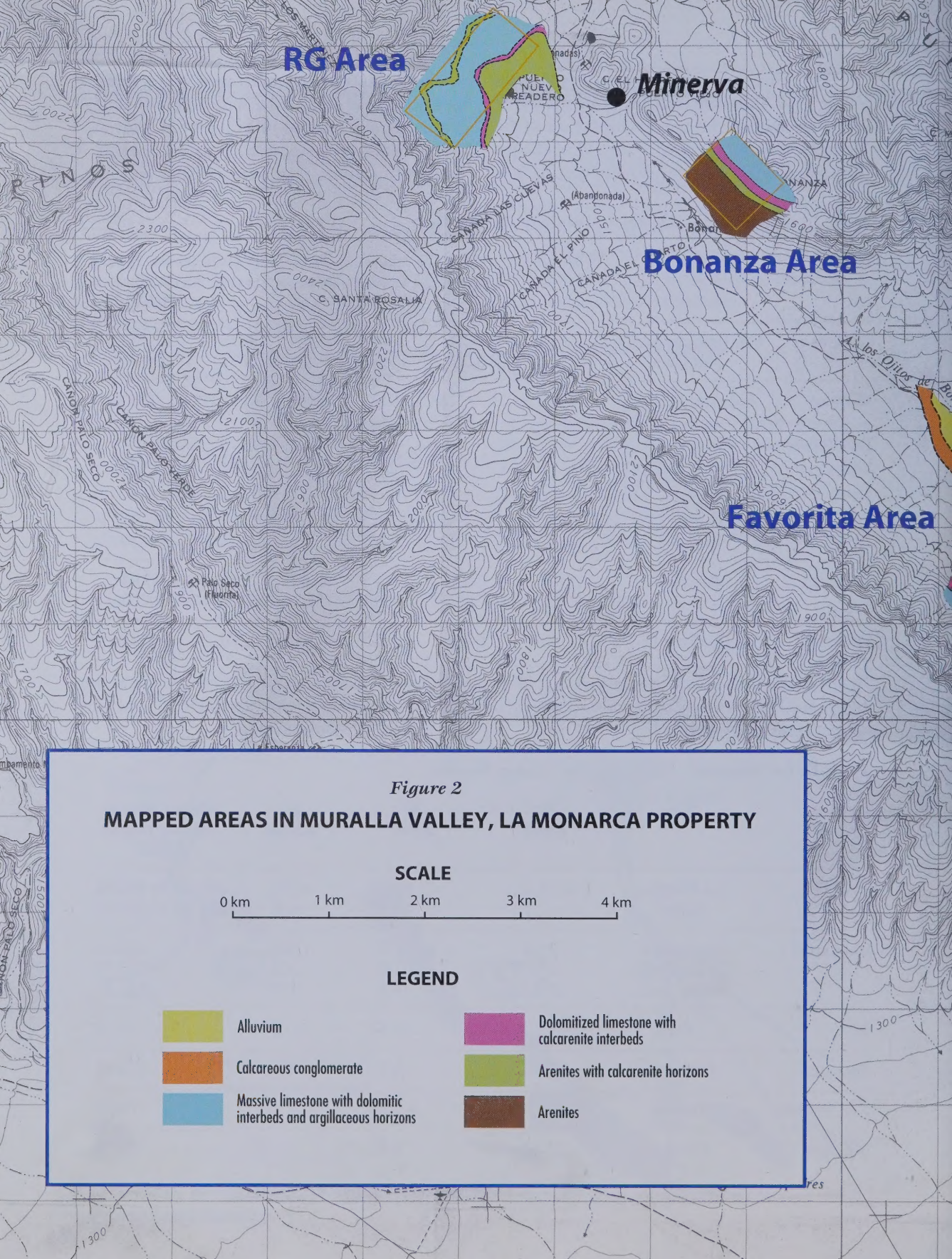
Area	Site	Metres	% Copper	% Lead	% Zinc	g/t Silver	Gross Metal Value/Tonne (US\$)*
Dolores	San Juan de Arriba	8.27	0.47	2.14	8.99	6.95	125.06
	San Luis	1.05	8.78	0.90	0.48	598.00	266.44
Morelos	Socavon Morelos	9.25	-	1.09	5.56	36.91	76.00
Americana	Americana de Arriba	1.97	-	1.46	20.93	1.90	251.84
	Mina La Sulfurosa	3.75	-	1.82	0.44	214.21	47.63
	Socavon Americana	4.12	-	0.71	29.32	0.29	346.03
Florida	La Florida	1.65	-	0.61	24.73	11.00	293.61
	Ventosa	1.20	0.02	2.20	25.35	58.35	316.30
Bonanza	Bonanza	3.20	0.03	2.86	4.23	1.78	63.94
	and	1.10	-	1.21	7.31	24.30	95.03
Favorita	La Favorita	3.20	0.12	1.55	14.65	13.70	182.97

Phelps Dodge has recently provided us with assay data from 63 rock chip samples taken from orebodies, dumps and host rocks on La Monarca. Results are summarized in Table II (no widths indicated), and have not been previously reported:

Table II: La Monarca - Chip samples - Assay Results

Area	Site	% Lead	% Zinc	g/t Silver	Gross Metal Value/Tonne (US\$)*
Florida	La Florida	6 to 13.0	29.5	< 25	373.39 to 410.82
	Tarjea	0 to 1.7	21.1	< 6	246.54 to 255.62
Enriqueta	Enriqueta	9.86	7.5	183	163.67
	La Colorada	< 1	11.6	> 1	> 135.70
	Mina Azul	21.8	24.7	205	425.23
RG	RG	< 1	11.47	< 14	> 136.23
Bonanza	Bonanza	1.98	8.9	< 15	113.46
RG/Bonanza	Minerva	4.03	< 0.32	< 5.4	19.28
Morelos	Ortego	32.80	5.41	12.00	222.02

* August 11, 2000 London metal prices (US\$): copper-\$0.838/lb; lead-\$0.217/lb; zinc-\$0.53; silver-\$4.90/oz.



RG Area

Minerva

Bonanza Area

Favorita Area






Figure 2

MAPPED AREAS IN MURALLA VALLEY, LA MONARCA PROPERTY

SCALE

0 km 1 km 2 km 3 km 4 km

LEGEND

- | | |
|--|--|
|  Alluvium |  Dolomitized limestone with calcarenite interbeds |
|  Calcareous conglomerate |  Arenites with calcarenite horizons |
|  Massive limestone with dolomitic interbeds and argillaceous horizons |  Arenites |

Loma Colorada

Rordos Transvaal

LA MONARCA PROPERTY

REFORMA

0 10 20
SCALE IN KILOMETERS

MURALLA VALLEY

Morelos Area

Dolores Area

Florida Area

Americana Area

Enriqueta

Favorita

Las Brujas

PUERTO BORRERAS

El Puerto

La Puerta

(Abandonada)

Dolores (Zinc y Plomo)

Las Potras

Las Potras

Santa Rita

Lomas Cu

Las Alarcas

LA FLORIDA

(Abandonada)

within or adjacent to dolomitic horizons that are contained within a transitional sedimentary interval between the underlying sandstone sequence and the overlying limestone sequence. Significant mineralization can also occur three hundred metres into the limestone, as in La Florida area.

There appears to be a large mineralized system, rimming the Muralla Valley perimeter through 60 kilometres of prospective stratigraphy along the two limbs of the anticlinal structure.

In most of the accessible old mine workings that expose the sandstone-to-limestone transition, the main mineralized zones occur as stratiform, bedded and disseminated zinc-lead-silver oxides.

This style of mineralization has positive implications for tonnage.

Our consultants note that the old workings often do not adequately expose the true thicknesses of the bedded mineralization, as a result of the historic emphasis on narrow bonanza-grade vein mining. The thickness that can be sampled is therefore limited by the height of the working and other factors; nonetheless, the following table of assays from sampling in ten widely separated workings indicates the extent, grade and minimum "true" widths of some of the oxide mineralization in the Muralla Valley.

Our samples were measured chip samples, taken as far as possible across the true thickness of

Table III: Don Indio - Channel and Panel Sampling - Summary of Assay Results

Location	No. of Samples	Grades (Weighted Averages)					Gross Metal Value/Tonne (US\$) *
		Silver g/t	Silver oz/ton	Copper %	Lead %	Zinc %	
San Marcos West							
Level 1	20	53.24	1.55		3.06	5.09	82.51
Level 2	9	41.52	1.21		2.79	9.75	133.82
Level 3	7	180.80	5.28		4.71	5.22	112.04
Pilar Grande							
Level 1	17	88.58	2.59	0.84			29.49
Level 2	15	159.64	4.66	1.22			47.72
incl 1.2 m.	1	258.00	7.53	2.68			90.20
and 2.0 m.	1	380.00	11.10	5.16			155.26
and 1.0 m.	1	576.00	16.82	0.56			101.19
Level 3	43	139.40	4.07	1.59			51.36
incl 3.6 m.	4	262.91	7.68	1.78			74.35
& 1.75 m.	3	123.86	3.62	2.49			65.54
& 1.2 m.	2	235.25	6.87	2.30			79.59
& 1.85 m.	3	285.30	8.33	3.19			103.93
Level 4	95	117.80	3.44	3.30			79.55
incl 3.01 m.	4	376.03	10.98	3.93			131.91
& 1.1 m.	1	497.00	14.51	4.70			165.22
Encalmada							
Level 1	27	49.50	1.45	0.53	4.38	4.72	93.70
El Rincon							
	22	42.00	1.23	1.50			34.34

* August 11, 2000 London metal prices (US\$): copper-\$0.838/lb.; lead-\$0.217/lb.; zinc-\$0.53; silver-\$4.90/oz.

mineralization exposed in workings. The work was done by Explominerals S.A. de C.V. of Durango, Mexico, under the supervision of Goodwin & Associates of Omemee, Ontario. Assays were done by ALS Chemex, Vancouver.

Although work is at an early stage, the results to date indicate great potential in the Muralla Valley for significant tonnages of ore grade stratiform zinc-lead-silver oxide mineralization.

In addition to the mineralized areas described above, mill tailings and waste dumps on La Monarca represent an untested but potentially large surface resource of zinc.

Don Indio Property

(2,947 hectares)

The Don Indio claim was optioned in September 1998, and the northwest portion of the property was explored by Stratabound in 1999. The program mapped and sampled a 4.5 kilometre portion of the 19 kilometre long favourable contact enclosed within the claim.

The program identified two mineralized horizons. Firstly, red bed sedimentary silver-copper mineralization, with good grade across thicknesses of 1 to 23 metres, occurs at the top of the sandstone sequence in the El Rincon, Encalmada, Pilar Grande, San Marcos West and El Pilon old mine areas. This implies an initial copper-silver sandstone target on Don Indio that is at least 4.5 kilometres long.

Secondly, good thicknesses of carbonate-hosted zinc-lead-silver ore were confirmed at the San Marcos West (zinc-lead-silver) and La Encalmada (zinc-lead-silver-copper) sites. These occur, as on the La Monarca property, near the base of the carbonate sequence that immediately overlies the red bed sandstones.

The results indicated economic thicknesses and grades of mineralization, open along strike and down dip, in most of the workings sampled. Silver content was exceptionally high, particularly at Pilar Grande (Table III).

As is also true at La Monarca, the old mine workings on Don Indio exist only where mineralization was first located on surface, not necessarily where the best mineralization exists.

Workings tend to follow high grade shoots, often of narrow widths, and often do not completely expose the true thicknesses of mineralization that would be considered economic today.

The thickest mineralized section identified in the 1999 program was at Pilar Grande. Here silver-copper mineralization occurs in a 23 metre thick stratigraphic interval comprising the lowermost 10 metres of the carbonate unit (Levels 1 and 2) and the uppermost 13 metres of the underlying red bed sandstone sequence (Levels 3 and 4).

The mineralization at Pilar Grande, as at most locations, is open in both strike directions and down dip. Average grades are increasing with depth, from 89 g/t silver and 0.84 % copper in Level 1, to 118 g/t silver and 3.30 % copper in Level 4.

At El Pilon, three hundred and fifty metres southwest of San Marcos West, limited channel sampling (total 15.8 metres) in the sandstone discovered a one metre section grading 123.5 g/t silver and 4.34 % copper (US\$99.66/tonne). No sampling was done beyond this location.

Sierra Azul Property

(2,808 hectares)

This property covers the entire 13 kilometre length of the Sierra Azul mountain range, and contains a number of base metal occurrences including the historic Santa Genoveva mine. Stratabound's 1997-98 program of mapping, surface and underground sampling and geophysics covered four kilometres of this length centred on Santa Genoveva.

Following a surface diamond drill program on the Santa Genoveva deposit, the company's consultants compiled a preliminary resource estimate of 700,000 tonnes grading 9.72 % zinc and 3.69 % lead. The estimate was based on 8 surface drill holes, 174 underground channel samples, and four underground drill holes. The mineralization has been outlined along a strike length of 475 metres to date, and is open to expansion down dip, up dip and to the north.

The resource estimate includes 312,500 tonnes of oxide mineralization grading 5.74 % zinc and 1.96 % lead, 125,000 tonnes of oxides grading 10.22 % zinc and 5.17 % lead, and 262,500 tonnes

of sulphide mineralization grading 14.21 % zinc and 5.04 % lead.

The deposit appears to be strengthening in grade and becoming sulphide-rich both to the north and down dip. The northernmost data point is a 1978 underground drill hole that intersected 17.1 % zinc and 2.9 % lead across 5.1 metres. This must be considered a minimum thickness, as the hole was terminated within high grade ore when the drill rods jammed, and no follow-up drilling was done.

The tonnage can be readily expanded with underground drilling. A rough volumetric calculation indicates that extending the currently known deposit by an additional 250 metres to the north and 50 metres down the dip could add at least another 1,300,000 tonnes of similar grade.

The ultimate exploration potential is far greater than this, as evidenced by the Santo Nino workings and showings, 1.5 kilometres along strike north of Santa Genoveva.

Two channel samples, 1.0 and 0.5 metres in width, were taken from the Santo Nino workings in 1997, and were found to grade 19.90 % and 5.81 % zinc, 2.41 % and 62.30 % lead, and 25.80 g/t and 1,140.0 g/t silver, respectively. Grab samples of oxide mineralization within a 300 metre radius of Santo Nino yielded zinc grades of 14.20 % to 37.70 %, and lead grades of 1.15 % to 2.70 %.

The Santo Nino showings are vein deposits resembling the surface vein occurrences immediately above the Santa Genoveva deposit, and may similarly be continuous with unexposed manto mineralization in the underlying rocks. No follow-up work has been done to date on these mineral occurrences.

If future underground and surface work determines that the Santo Nino occurrences and the Santa Genoveva occurrences are both portions of the same mineralized network, a much larger ore deposit may emerge. The geological model for Sierra Azul is Santa Eulalia, a 50 million tonne carbonate-hosted zinc-lead-silver deposit near Chihuahua.

Stratabound is looking for joint venture partners for the Sierra Azul and Don Indio properties.

CANADIAN MINERAL PROPERTIES (30,524 acres)

New Brunswick (15,760 acres)

Stratabound has entered into an option agreement allowing Eastmain Resources Inc. to explore 394 claims held by Stratabound in the Bathurst zinc-lead-silver producing district of northern New Brunswick.

Stratabound's properties contain the CNE Mine, Captain and Taylor Brook massive sulphide occurrences, and untested targets near the 25 million tonne former Heath Steele Mine.

Eastmain is currently in the process of compiling all of the previous exploration work into an extensive database.

Figure 3 shows an "alteration index" derived from XRF whole rock geochemical data, superimposed on the geology of Stratabound's CNE/Captain claim block. The data were imported by Eastmain into MapInfo from work previously completed by Teck Exploration under option from Stratabound. The map shows that areas northeast of the CNE deposit and southwest of the Captain deposit are strongly altered with geochemical "fingerprints" resembling the altered footwall rocks at the giant Brunswick No. 6 and No. 12 deposits. These altered areas have received little previous drilling. Eastmain has also identified untested geophysical targets within Stratabound's Tomogonops claim group, detected by a Geotem III airborne survey.

Eastmain has the right to contract mine the remaining zinc-lead-silver open pit reserve previously outlined by Stratabound on CNE Mining Lease 251. Eastmain would finance the cost of production and assume all potential operating and environmental obligations arising from its activities. The companies would split equally any profits from the CNE operation. Mining of the open pit reserve is contingent on negotiating a custom milling agreement at Noranda's nearby Brunswick No. 12 facility and other factors. To date Eastmain has not notified Stratabound of any pending mining activities on the CNE lease.

British Columbia (14,764 acres)

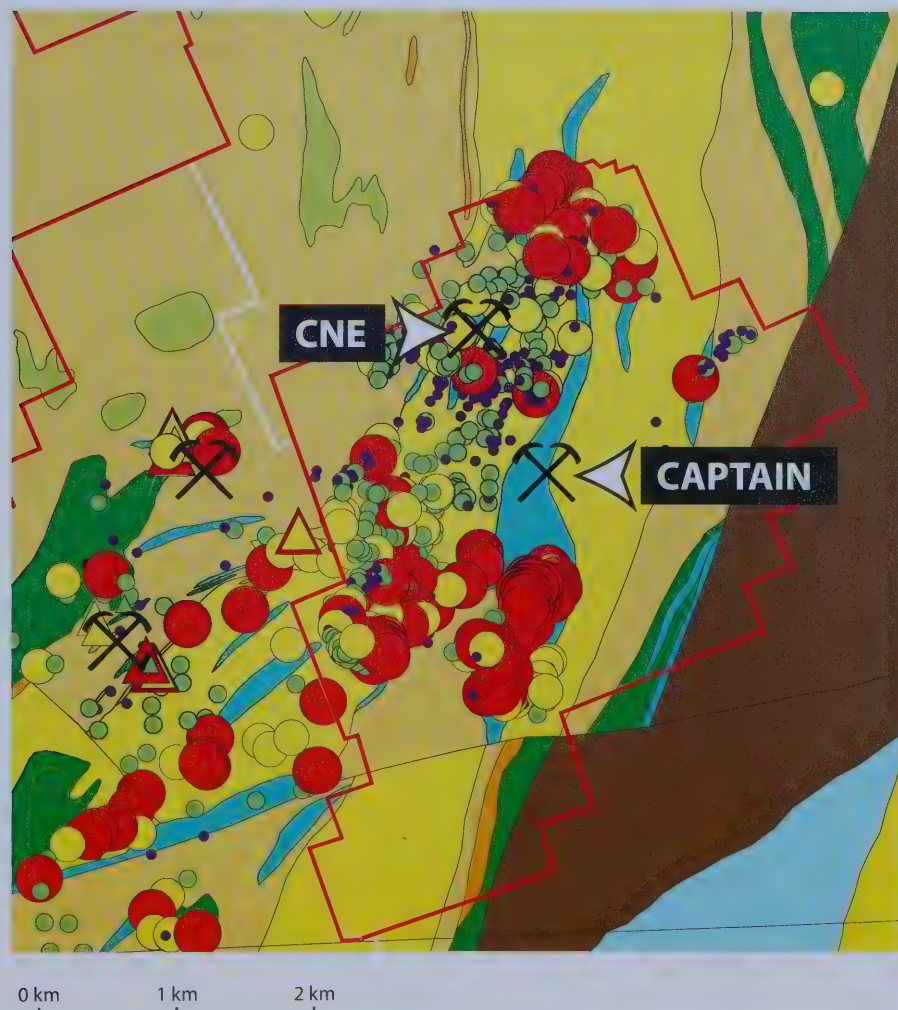
Widespread and locally high grade zinc, lead, silver and barite showings and impressive lead-zinc soil anomalies occur along nine miles of strike length on the Swan property. A showing located near the south end was partially tested with six short drill holes in 1996. This identified mineralized drill intervals grading up to 8.3 % lead, 3.5 % zinc and 1.5 oz/ton silver across widths of 5 to 10 feet. In 1997 an EM and magnetic survey

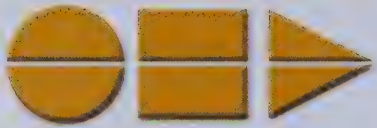
was flown, and follow-up gravity surveys were completed over five of the magnetic anomalies outlined by the airborne survey, detecting several large positive gravity features.

A serious program of detailed mapping, prospecting and geophysical surveys, followed by drilling, is still required to follow-up the anomalies and to further define the extent of high-grade mineralization at the Swan showing. We are seeking a joint venture partner for this program.

Figure 3: CNE / Captain Claim Block

ALTERATION INDEX





Stratabound Minerals Corp.

Consolidated Financial Statements

December 31, 1999

Auditors' Report

To the Shareholders of Stratabound Minerals Corp.

We have audited the consolidated balance sheets of Stratabound Minerals Corp. as at December 31, 1999 and 1998 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Stratabound Minerals Corp. as at December 31, 1999 and 1998 and the results of its operations and the changes in its cash flows for the years then ended in accordance with generally accepted accounting principles.

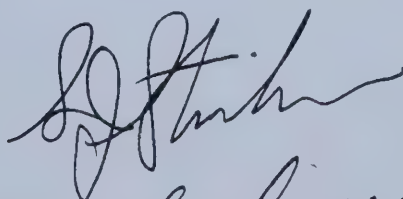
*[signed Luna Clark and Associates]
Chartered Accountants
Calgary, Canada
May 4, 2000*

Stratabound Minerals Corp.


Consolidated Balance Sheets

	December 31	
	1999	1998
Assets		
<i>Current</i>		
Cash and short term investments	\$ 49,455	\$ 266,474
Accounts receivable	47,408	6,345
Prepaid expenses and deposits	—	2,735
	96,863	275,554
<i>Reclamation bonds</i>	—	11,550
<i>Property and equipment (note 3)</i>	4,975,711	4,698,585
	\$ 5,072,574	\$ 4,985,689
Liabilities and Shareholders' Equity		
<i>Current</i>		
Accounts payable and accrued liabilities	\$ 30,931	\$ 55,379
<i>Reclamation provision</i>	10,800	10,800
	41,731	66,179
<i>Shareholders' equity</i>		
Share capital (note 4)	6,747,928	6,389,778
Deficit	(1,717,085)	(1,470,268)
	5,030,843	4,919,510
	\$ 5,072,574	\$ 4,985,689

Approved on behalf of the Board of Directors:



Director



Director

See accompanying notes

Stratabound Minerals Corp.

Consolidated Statements of Operations and Deficit

	Years ended December 31	
	1999	1998
<i>Revenue</i>		
Interest	\$ 3,458	\$ 23,460
Petroleum	857	2,267
	4,315	25,727
<i>Expenses</i>		
General and administrative – Canada	219,538	216,459
General and administrative – Mexico	21,967	20,903
Depletion and amortization (note 3)	7,796	9,029
Petroleum	1,831	1,517
	251,132	247,908
<i>Net loss for the year</i>	246,817	222,181
<i>Deficit, beginning of year</i>	1,470,268	1,248,087
<i>Deficit, end of year</i>	\$ 1,717,085	\$ 1,470,268
<i>Loss per share</i>	\$ 0.031	\$ 0.030

See accompanying notes

Consolidated Statements of Cash Flows

	Years ended December 31	
	1999	1998
CASH PROVIDED BY (USED IN):		
Operating		
<i>Net loss for the year</i>	\$ (246,817)	\$ (222,181)
<i>Items not involving cash</i>		
Depletion and amortization	7,796	9,029
<i>Funds from operations</i>	(239,021)	(213,152)
<i>Net change in non-cash working capital (note 6)</i>	(51,226)	(79,587)
	(290,247)	(292,739)
Financing		
Issuance of share capital	358,150	827,986
Investing		
Expenditures on mineral properties - Canada	(18,227)	(258,420)
Expenditures on mineral properties - Mexico	(266,695)	(893,457)
	(284,922)	(1,151,877)
<i>Decrease in cash and short term investments during the year</i>	(217,019)	(616,630)
<i>Cash and short term investments, beginning of year</i>	266,474	883,104
<i>Cash and short term investments, end of year</i>	\$ 49,455	\$ 266,474
<i>Funds from operations per share</i>	\$ (0.030)	\$ (0.026)

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

1. NATURE OF OPERATIONS

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of the cost of mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of properties.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations, which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of Compania Minera Stratamex, S.A. de C.V., which is wholly owned by the Company. The subsidiary was incorporated in Mexico on April 9, 1997.

Mineral properties and related deferred expenditures

The Company capitalizes the cost of acquiring mineral property claims and exploration costs that are directly related to specific mineral property claims until the extent of mineralization has been determined and the mineral claims are either developed, abandoned or allowed to lapse. Proceeds from the sale of royalty interests or option payments received are considered incidental revenue during the pre-production period and are credited to mineral properties and related deferred expenditures. If no future capital expenditure is required and proceeds exceed cost, the excess amount is reported as a gain on disposal.

Upon commencement of commercial production, the cost of mineral claims and related deferred costs will be amortized against income from the project using the unit-of-production method. Costs that are not considered economically recoverable through mining operations or through the sale of properties, and costs related to projects that are allowed to lapse, are expensed during the period. Provisions may be made if, in the opinion of management, there is impairment in value that is other than temporary.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The recoverability of the book value of mineral properties is evaluated periodically. Estimated future net cash flows from each property is calculated, where information is available, using estimates of proven, probable and possible ore reserves, estimated commodity prices and operating, capital and reclamation costs on an undiscounted basis. If the remaining investment in mineral properties exceeds the estimate of undiscounted cash flows, reductions in the carrying value of each property are recorded to the extent the remaining investment exceeds the estimate of undiscounted cash flows.

Management's estimates of commodity prices, recoverable proven, probable and possible reserves, and operating, capital and reclamation costs are subject to risks and uncertainties of change affecting the recoverability of the Company's investment in mineral properties. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of net cash flows expected to be generated from its properties and the need for asset impairment write downs.

Options

Where the Company enters into option agreements for the acquisition of interests in mineral properties that provide for periodic payments, such amounts are not recorded as liabilities since they are payable at the Company's option. Such payments, when made, are recorded as costs of the properties to which they relate.

Oil and gas properties

The Company follows the full cost method of accounting for oil and gas expenditures. Capitalized costs include land acquisition, geological and geophysical expenses, lease rentals, and costs of drilling both productive and non-productive wells. Capitalized costs, including production equipment, are depleted by the unit-of-production method based on the Company's share of estimated proven reserves of oil and gas as determined by independent engineers converting gas to oil equivalent on an energy equivalent basis. Costs of undeveloped acreage are excluded from this calculation until proved oil and gas reserves are assigned, or such leases are surrendered.

Proceeds from the disposal of properties are applied as a reduction of the cost of the remaining assets, except when such a disposal would alter the depletion and amortization rates by more than 20 percent, in which case a gain or loss on disposal would be recorded.

Site restoration and abandonment

The estimated cost of site restoration and abandonment is based on the current cost, the anticipated method and extent of restoration and abandonment anticipated in accordance with existing legislation and industry practice. Estimated costs of future site abandonment and restoration of mineral properties and well sites and associated facilities are amortized over the life of the properties on a unit-of-production basis. The provision is recorded on the consolidated statement of operations and deficit together with depletion and amortization. When expenditures are made to restore a property, the accumulated provision is charged with these expenditures.

Joint operations

These consolidated financial statements reflect only the Company's proportionate interest in exploration and production activities conducted jointly with others.

Amortization

Amortization of office equipment is provided using the declining balance method at rates between 20 % and 30 %.

Per share amounts

The per share amounts have been calculated using the weighted average number of shares outstanding during the year, which was 8,078,084 shares (1998 - 7,514,193 shares). Fully diluted per share amounts are calculated assuming the exercise of all outstanding options and warrants. There was no significant difference between basic and fully diluted per share amounts.

Stock-based compensation

The Company has a stock-based compensation plan. When stock options are issued to directors, officers, employees or consultants no compensation expense is recorded in the accounts. However, consideration received upon the exercise of stock options is credited to share capital.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect on the dates the assets were acquired or liabilities were assumed. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in income when incurred.

3. PROPERTY AND EQUIPMENT

	1999		
	Cost	Accumulated Depletion and Amortization	Net Book Value
Mineral properties – Canada	\$3,648,386	\$ 190,742	\$3,457,644
Mineral properties – Mexico	1,494,020	—	1,494,020
Oil and gas properties	35,044	21,760	13,284
Office equipment	45,702	34,939	10,763
	\$5,223,152	\$ 247,441	\$4,975,711

3. PROPERTY AND EQUIPMENT (continued)

1998

	Cost	Accumulated Depletion and Amortization	Net Book Value
Mineral properties – Canada	\$3,630,159	\$ 190,742	\$3,439,417
Mineral properties – Mexico	1,227,325	—	1,227,325
Oil and gas properties	35,044	17,480	17,564
Office equipment	45,702	31,423	14,279
	\$4,938,230	\$239,645	\$4,698,585

At December 31, 1999, the Company has non-producing mineral properties with a net carrying value of \$4,951,664 (1998 - \$4,666,742), which has not been subject to depletion.

For the years ended December 31, 1999 and 1998, the Company did not charge any amount to income for future site abandonment and restoration costs.

4. SHARE CAPITAL

Authorized

An unlimited number of common shares, without nominal or par value

Issued

	Number of Shares	Amount
Balance - December 31, 1997	7,145,051	\$ 5,561,792
Private placement [i]	233,300	151,445
Issued on exercise of warrants	375,662	637,541
Issued on exercise of options	55,000	39,000
Balance - December 31, 1998	7,809,013	6,389,778
Private placement [i]	330,500	214,825
Private placement [ii]	220,500	143,325
Balance - December 31, 1999	8,360,013	\$ 6,747,928

(i) During the years ended December 31, 1998 and December 31, 1999, the Company entered into agreements for the private placement of units at a price of \$0.65 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.75 for a period of two years from the date of closing.

(ii) During the year ended December 31, 1999 and subsequent to the year-end, the Company entered into agreements for the private placement of units at a price of \$0.65 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.80 for a period of two years from the date of closing.

Subsequent to the year-end, an additional 549,069 units were issued for proceeds of \$345,384 (net of issue costs of \$11,511).

Stock options outstanding

The Company has a stock option plan for its key officers, directors, employees and consultants. Up to 10 % of the issued and outstanding shares may be reserved for issuance under the plan. The number of stock options outstanding at year-end was as follows:

	Number of options	
	1999	1998
Balance, beginning of year	600,500	655,500
Granted during the year	247,000	—
Exercised during the year	—	(55,000)
Expired during the year	(252,000)	—
Balance, end of year	595,500	600,500

The stock options are exercisable over a five-year period from the date of the grant and, if not exercised, will expire on the fifth anniversary from the date of grant. The options expire as follows:

	Number of Options
Exercisable at \$0.60 expiring June 28, 2000	60,000
Exercisable at \$0.95 expiring January 14, 2001	13,500
Exercisable at \$1.20 expiring September 12, 2001	200,000
Exercisable at \$0.75 expiring July 16, 2002	75,000
Exercisable at \$0.55 expiring February 24, 2004	247,000
	595,500

Share purchase warrants outstanding

	Number of warrants	
	1999	1998
Balance, beginning of year	1,104,288	1,274,650
Issued during the year	551,000	233,300
Exercised during the year	—	(375,662)
Expired during the year	(870,988)	(28,000)
Balance, end of year	784,300	1,104,288

4. SHARE CAPITAL (continued)

The share purchase warrants are exercisable over a two-year period from the date of closing and, if not exercised, will expire on the second anniversary of the date of closing. The warrants expire as follows:

	Number of warrants
Exercisable at \$0.75 expiring November 18, 2000 to April 15, 2001	563,800
Exercisable at \$0.80 expiring November 5, 2001 to December 15, 2001	220,500
	<u>784,300</u>

5. INCOME TAXES

At December 31, 1999 the Company has \$2,295,000 of unused cumulative Canadian exploration and development expenses, earned depletion and tangibles available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

At December 31, 1999 the company has non-capital losses of \$1,274,089 available for offset against future taxable income. If these losses are not utilized, they will expire as follows:

Available until	Amount
2000	\$ 152,137
2001	127,740
2002	140,014
2003	221,055
2004	188,709
2005	211,434
2006	233,000
	<u>\$ 1,274,089</u>

The potential income tax benefits, which may arise from applying these losses against future years' taxable income, have not been recorded in the accounts.

6. NET CHANGE IN NON-CASH WORKING CAPITAL

	1999	1998
Accounts receivable	\$ (41,063)	\$ 26,811
Prepaid expenses and deposits	2,735	1,864
Reclamation bonds	11,550	7,500
Accounts payable and accrued liabilities	(24,448)	(115,762)
	<u>\$ (51,226)</u>	<u>\$ (79,587)</u>

7. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities.

Price risk

The Company is exposed to price risk to the extent that metal prices fluctuate in the world markets.

Currency risk

The Company is exposed to foreign exchange risk to the extent that the carrying value of its mineral properties is denominated in U.S. dollars.

Fair values

The fair values for all financial instruments approximate their carrying values.

8. COMPARATIVE FIGURES

Certain of the 1998 comparative figures have been reclassified to conform to the current year's presentation.

9. SUBSEQUENT EVENT

On March 22, 2000 the Company entered into a Letter Agreement with Eastmain Resources Inc. ("Eastmain") to explore and develop 394 claims (15,760 acres) held by Stratabound in the Bathurst zinc-lead-silver producing district of northern New Brunswick.

Pursuant to the agreement, Eastmain has the option of acquiring an undivided 50 % interest in the claims by incurring \$1,500,000 of exploration and development expenditures over five years to April 30, 2005. Stratabound will also receive an initial payment of \$24,300 and 50,000 shares of Eastmain. Eastmain also has the option to earn an additional 10 % interest in the properties by incurring an additional \$1,000,000 on exploration and/or development within three years of exercising its initial option and by paying \$50,000 to Stratabound or the equivalent in Eastmain common shares.

Corporate Information

BOARD OF DIRECTORS

Stanley J. Stricker, Calgary, Alberta
Jerry D. Blackwell, Vancouver, British Columbia
Michael S. Mann, Calgary, Alberta
Richard W. Hutchinson, Golden, Colorado
C. Franklin Agar, Calgary, Alberta

OFFICERS

Stanley J. Stricker, President
Susan J. Stricker, Secretary-Treasurer

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Canada: Glenn G. Lutes
Mexico: Goodwin & Associates

SOLICITORS

Macleod Dixon, Calgary

AUDITOR

Luna Clark and Associates, Calgary

BANKER

Bank of Montreal

REGISTRAR AND TRANSFER AGENT

Montreal Trust, Calgary

STOCK EXCHANGE LISTINGS

Canadian Venture Exchange
Symbol: SB
OTC Bulletin Board
Symbol: SBMCF

ANNUAL MEETING

Stratabound Minerals Corp.'s annual meeting will be held at the company's registered office at Macleod Dixon, 3700 Canterra Tower, 400 - 3rd Avenue S.W., Calgary, Alberta on September 28, 2000 at 2:45 p.m.



Stratabound
MINERALS CORP.

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